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# Discount Store News®

*THE NEWSPAPER OF DISCOUNT RETAILING*

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**Circuit City Leads Top CE Chains**

| Chain (HQ State) | 1986 Sales† (in millions) | 1985 Sales (in millions) | % Change |
|---|---|---|---|
| Circuit City (Va.) | $1,010.0 | $705.0 | 43.3% |
| Highland (Mich.) | 656.0 | 521.0 | 25.9 |
| Silo (Pa.) | 600.0 | 500.0 | 20.0 |
| The Federated Group (Calif.) | 430.0 | 363.6 | 18.3 |
| Crazy Eddie (N.J.) | 352.5 | 262.3 | 34.4 |
| Fretter (Mich.) | 273.0 | 214.0 | 27.6 |
| Tops Appliances (N.J.) | 260.0 | 185.0 | 40.5 |
| Best Buy (Minn.) | 239.0 | 113.0 | 112.0 |
| Audio-Video Affiliates (Ohio) | 229.0 | 182.0 | 25.8 |
| Newmark & Lewis (N.Y.) | 214.0 | 142.0 | 50.7 |
| The Wiz (N.Y.)* | 200.0 | 168.0 | 19.0 |
| Luskin's (Md.) | 140.0 | 110.0 | 27.3 |
| Brick Church (N.J.) | 100.0 | 80.0 | 25.0 |
| Total: | 4,700.0 | 3,550.0 | 32.4 |

†For last completed fiscal year ended in first quarter of 1987 for all chains except: Brick Church, figures for year ended Aug. 31, 1986.
*DSN estimates NA: Not available Source: Company reports; DSN research

# Circuit City Joins Billion Dollar Club As Top CE Chain Sales Rise 32.4%

**By Josephine Fiamingo**
*Nationwide DSN Report*

Richmond, Va.-based Circuit City became the first consumer electronics chain to crack the $1 billion sales mark as volume at the 13 leading CE specialty chains grew by 32.4 percent in 1986.

Highland Superstores, Taylor, Mich., with $656 million in sales; Silo, based in Philadelphia, with $600 million; and The Federated Group, City of Commerce, Calif., with sales of $430 million, followed Circuit City's reported $1.01 billion sales figure.

The 13 leading CE chains, whose sales figures were compiled by *DSN*, totaled $4.7 billion in consumer electronics sales last year, accounting for about 16.4 percent of total CE sales in the U.S., which was pegged at $28.7 billion in 1986 by the Electronic Industries Association, the CE manufacturers' trade group. These

*(Continued on page 17)*

# Maxway Executives Take Over Danners

**By Mary Ellen Kelly**

SANFORD, Ga. — Maxway Corp. and Danners Inc. have reached an agreement that essentially merges Danners' operations into the Maxway chain.

A series of agreements among Maxway, Danners, The Sherman Clay Group—a West Coast retail, manufacturing and real estate investment firm—and an Indianapolis bank infused $2 million of capital and refinanced $9.7 million in loans to the struggling Danners chain.

Maxway executives Fred Concklin, chairman, and C. David Birdwell, president—who are currently part owners of Maxway, will be principals in the partnership that has invested in Danners. They will assume director and management posts at Danners along with Eric and Michael Schwartz, of Sherman Clay. Mark, David and Ray Danner, Richard Miller and A. Wallace Williams have resigned as members of Danners' board.

Maxway will continue to operate as an 87-unit, privately held company with stores in Georgia, North Carolina, South Carolina and Virginia. The 18 Danners stores in Indiana and Michigan will comprise a public company under the day-to-day management of Maxway. The remaining Danners administrative and merchandising staff will be relocated to Maxway headquarters in Sanford, Ga.

Birdwell, who becomes president and coo of the new Danners, said Danners' financial troubles were basically due to two factors that the recent deal can remedy: Danners' excessive amount of low margin merchandise and its loss of faith among vendors.

Maxway/Danners executives plan to develop family

*(Continued on page 4)*

# Retailers Upbeat as NMRI Passes Baton to IMRA

**By Donald Longo**

MIAMI BEACH — The mood was upbeat as the nation's leading discount executives gathered here this month at the 22nd and final National Mass Retailing Institute (NMRI) convention to celebrate the creation of a new trade group representing the mass merchandising industry.

Speaking on the state of the new International Mass

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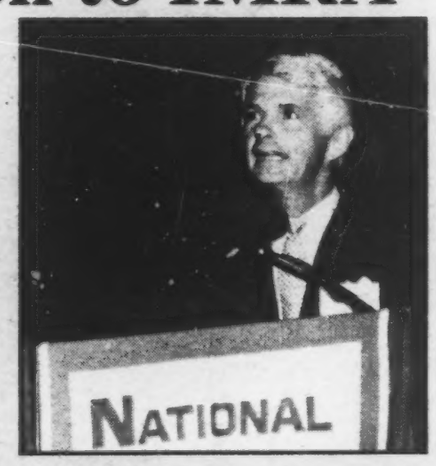



*L.H. Harvin, Rose's, speaks at the NMRI convention.*

*Auto Chain Plans Rapid Growth*

# Pep Boys March on Atlanta Market

**By Richard C. Halverson**

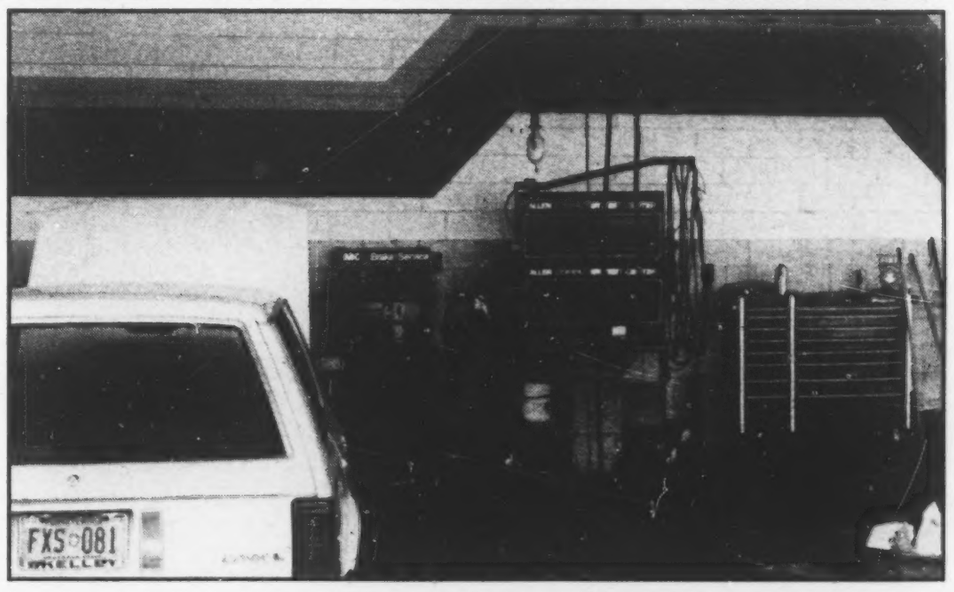
PHILADELPHIA — After learning Southern California "Valleyspeak" and acquiring a Texas twang, The Pep Boys—Manny, Moe & Jack, are now learning how to speak with a Southern drawl.

The automotive specialty chain based here is zeroing in on Atlanta as its next expansion target, following Dallas and Los Angeles.

Between September and December, Pep Boys is set to open six Atlanta stores of 20,000 square feet each, with a total of 35 new units projected nationwide for 1987. In addition, the auto chain plans to open at least one more store in the Atlanta market next year.

The entry into Atlanta is "the beginning of our Southeast market development," said Joe Sarelle, director of construction. Until now, Pep Boys has concentrated on the Middle Atlantic region, the West and the Southwest.

After opening a net of 18 new stores in 1986, including four in Dallas and two in Rich-




*In expanding, The Pep Boys—Manny, Moe & Jack, emphasize service bays, such as this one in its Howell, N.J., store. The chain plans to add 35 new units nationwide by 1987.* (DSN photo)

mond, "Pep Boys is committed to making 1987 the most aggressive year of expansion in its history," the chain reported in its newly released annual report for its fiscal year 1986, ended Jan. 31, 1987.

All 35 new stores will feature seven to 10 service bays with state-of-the-art equipment, said the company.

"In 1987, we will focus on the Texas market [with five new units targeted for Ft. Worth] and establish a new Southeastern hub in Atlanta, similar to Los Angeles, Philadelphia and Dallas, from which we can blanket a new geographic region with Pep Boys stores," the report said.

The chain reported that it has already spent about $25

*(Continued on page 38)*

# Price Club Opens Pharmacy To Fortify In-Store Services

**By Pamela Krein**

SAN DIEGO — The Price Co., operators of 27 Price Clubs nationwide, is scheduled to open its first pharmacy this month in a move the membership warehouse company said will further enhance service to its customers.

Normally the benchmark by which all other membership warehouse clubs are judged, Price in this instance is following the lead of Seattle-based Costco, the 38-unit membership club chain that opened its first in-warehouse pharmacy about one year ago.

Like Costco, Price Club is

*(Continued on page 38)*

*Off-Pricer Expands* | *CE Chain ... Census*

*Specialty Parts Fuel Auto Aftermarket*

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## MARKETWATCH

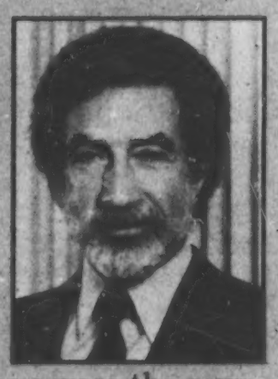
### Cook's Sells 26 Stores; Only 3 Left

MAPLE HEIGHTS, Ohio — Cook United has sold all but three of its 29 stores following its second Chapter 11 filing April 22. The remaining stores include one unit in Wauseon and two in Lima, Ohio. Smith Management Co., a New York-based investment company that specializes in financially troubled retail chains, has extended a $500,000 working capital line to Cook and has agreed to provide another $3 million once a reorganization plan is completed. Smith Management will own 48 percent of company equity once the chain emerges from Chapter 11 and Smith exercises its warrants, according to Craig Davis, main liaison from Smith. Davis noted that Cook's favorable tax situation will make the firm attractive to outside investors.

### Glosser Bros. Expands Gee Bee Stores

JOHNSTOWN, Pa. — Glosser Bros. announced plans to expand its Gee Bee discount department store chain beyond its current three-state area by entering the Virginia market this fall in the town of Harrisonburg, near the West Virginia border. Gee Bee stores will also open in York, Pa., and Hagerstown, Md., next year, giving the chain a total of 24 locations. Operations had been confined to Pennsylvania, Maryland and West Virginia prior to the scheduled Virginia store site. Last month, Gee Bee opened its 21st store in Meadville, Pa., sharing the shopping plaza location with a Dollar Bargain Outlet, a 48-unit discount chain also owned by parent Glosser Bros.

### Deikel Named Direct Marketer of Year



MINNEAPOLIS — The Midwest Direct Marketing Association has named Theodore Deikel, chairman and chief executive officer of C.O.M.B., as the Direct Marketer of the Year. Deikel was specifically cited for developing C.O.M.B.'s Cable Value Network operation into the nation's largest exclusive cable TV teleshopping service. CVN's live round-the-clock show is broadcast to about 17 million households over more than 900 cable systems across the country. The MDMA's award to Deikel was the first time the 27-year-old organization has presented such an honor. Under Deikel, C.O.M.B. has grown from a $37 million closeouter in 1983 to a diversified teleshopper and liquidator with projected 1987 sales of about $500 million. Prior to joining C.O.M.B., Deikel was executive vice president of American Can Co. and chairman, president and ceo of its Fingerhut Corp. direct mail marketer subsidiary.

### K mart Adds Leased Banking Centers

TROY , Mich. — K mart has extended its financial services operation to New York State stores for the first time. The chain added leased banking centers with such services as automatic teller machines and IRA plans in 10 stores in Albany, Schenectady, Troy and Syracuse. Fifteen K marts in the state already have ATMs. First Nationwide Bank operates the financial centers, which are among the 150 the bank is scheduled to open in K marts this year (see *DSN*, Jan. 19, page 1). K marts in Kentucky, Missouri, Ohio and Pennsylvania are due to get the banking centers later this year.

### Heck's Sells Federal Wholesale Division

NITRO, W. Va. — Heck's, which has been operating under the protection of Chapter 11 of the Bankruptcy Act since early March, has announced plans to sell its Federal Wholesalers division to a group of investors, including Federal president Thomas Bianco. While the wholesale division is not subject to the bankruptcy court's jurisdiction, the prospective sale must be approved by Heck's creditor committees and the court. The price for the sale is expected to be around $7 million, although the actual price will be set by the company's book value at the date of sale, plus a long-term note for $775,000 payable over seven years.

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# Wal-Mart, Cullum Change Name Of Supercenter to Hypermart USA

BENTONVILLE, Ark. — Wal-Mart and Cullum Cos. have changed the name of the 220,000-square-foot hypermarkets they plan to open this fall from Wal-Mart Supercenter to Hypermart USA.

This logo will be used on the store the two retailers will jointly launch in Garland, Tex., as well as the unit that Wal-Mart will open on its own in Topeka, Kan.

Next year, the two companies jointly plan to open another store at a yet to be determined Texas site, while Wal-Mart plans another company-run hypermarket at an undetermined location outside of Texas.

Wal-Mart vice president Duane Naccarato, who is chairman of the joint venture as well as head of the discounter's own effort, said:

"The board has approved the name change to Hypermart USA because we feel it will better describe the new merchandising concept we are presenting to the American public. The hypermarket concept has traditional roots in European countries; however, Wal-Mart and Cullum have taken this unique approach to merchandising and gone one step further, giving it an American appeal."

Besides the Wal-Mart/Cullum venture, Carrefour S.A., the $7.3 billion French-based international retailer that pioneered the hypermarket concept, plans to launch its first 330,000-square-foot American store this fall in Northeast Philadelphia. The opening of a unit in Brookhaven Township, a Long Island suburb of New York City, has been pushed back from this fall to next year.

All Hypermart USA stores will follow the same one-stop shopping center format—they will combine a Wal-Mart discount store and a supermarket under one roof, along with adjacent service and convenience stores such as fast-food restaurants.

In the joint venture, Cullum, a $1 billion-plus Texas supermarket chain, will operate the grocery. The Topeka hypermarket, however, will see Wal-Mart team up with Fleming Cos., an Oklahoma City-based $10 billion national supermarket wholesaler, who will run the food area.

The pure hypermarket concept in the United States is currently being used only in Cincinnati by Biggs, a joint venture between Super Value stores, parent of the ShopKo chain, Euromarche, a $2 billion-plus French hypermarket chain, and a French bank and shopping center developer. Biggs currently has only one unit, but plans to open two more this year and an additional 30 by 1995.

However, a number of discounters, including Fred Meyer in the Northwest, Meijer Thrifty Acres in the North Central area and Lloyds in upstate New York, run hypermarket-type stores that combine company-run food and general merchandise departments under one roof.

## *DSN* Adds to Sales Staff; Names Harvey in Midwest

NEW YORK — *DSN* national sales manager John Failla has announced the addition of Jim Harvey to *DSN*'s sales staff. Harvey will serve as a Midwest area manager, working out of *DSN*'s Chicago bureau. Before joining *DSN*, Harvey was a sales representative with the Baronet Corp., based in Secaucus, N.J. He attended the University of Wisconsin in Madison, Wis.

## DSN 25th ANNIVERSARY TRIVIA QUIZ

*As part of its 25th anniversary,* DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—5/25,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions appear somewhere else in this issue.*

***25 Years Ago This Week:***

*Not Low, Low Enough:* After apprehending a shoplift-to-order ring, a Des Moines discounter said, "Naturally, we're happy they like those low, low prices, but it would be nice if they helped out with the overhead."

*It's Not the Honor Society:* A Denver-area discounter was "incensed" to discover that a local high school girl's club required prospective members to shoplift $150 worth of goods in order to be admitted to the club.

*1. What department store chain broke into the discount market with Diskay Discount Marts?*
*a) Bloomingdale's;*
*b) Nieman Marcus;*
*c) W.T. Grant.*

***20 Years Ago This Week:***

*What, No Adoption Papers?:* Gibson's Stores rejected a flood of "TV toys" to return to the basics, particularly "good, old-fashioned" dolls.

*If It Works Out, We're Going to Look at Plano, Tex., Next:* J.C. Penney explained the invasion of Atlanta by its Treasure Island discount operation as "an experiment in a different market."

*2. The American Stock Exchange approved listing of which discounter's stock?*
*a) Hills;*
*b) Ames;*
*c) K mart.*

***10 Years Age This Week:***

*Law-abiding Citizens:* Kuhn's Big K of Nashville had to reduce prices on police radar scanners, which had sold well elsewhere on the tailcoats of the CB rage. A buyer explained that there was not enough action in small towns to interest anyone.

*Every Picture Tells a Story:* An all-out price war between Kodak and Polaroid has turned discount camera departments into loss-leader wastelands, buyers said.

*3. Invasion by which discounter forced Boston retailers to lower prices?*
*a) Price Club;*
*b) Service Merchandise;*
*c) CVN.*

***5 Years Ago This Week:***

*Not Just a Flash in the Pan:* Price Club, whose four stores sold $227 million in goods in 1981, doubled its store count in 1982 and aimed for 20 by 1987. Actual store count this year is 28.

*4. Which discounter opened the first two of a projected chain of fast-food and family entertainment restaurants?*
*a) K mart (Abra K Dabra);*
*b) Zayre (Zabra Ka Dabra);*
*c) Bradlees (Brad L Dabra).*

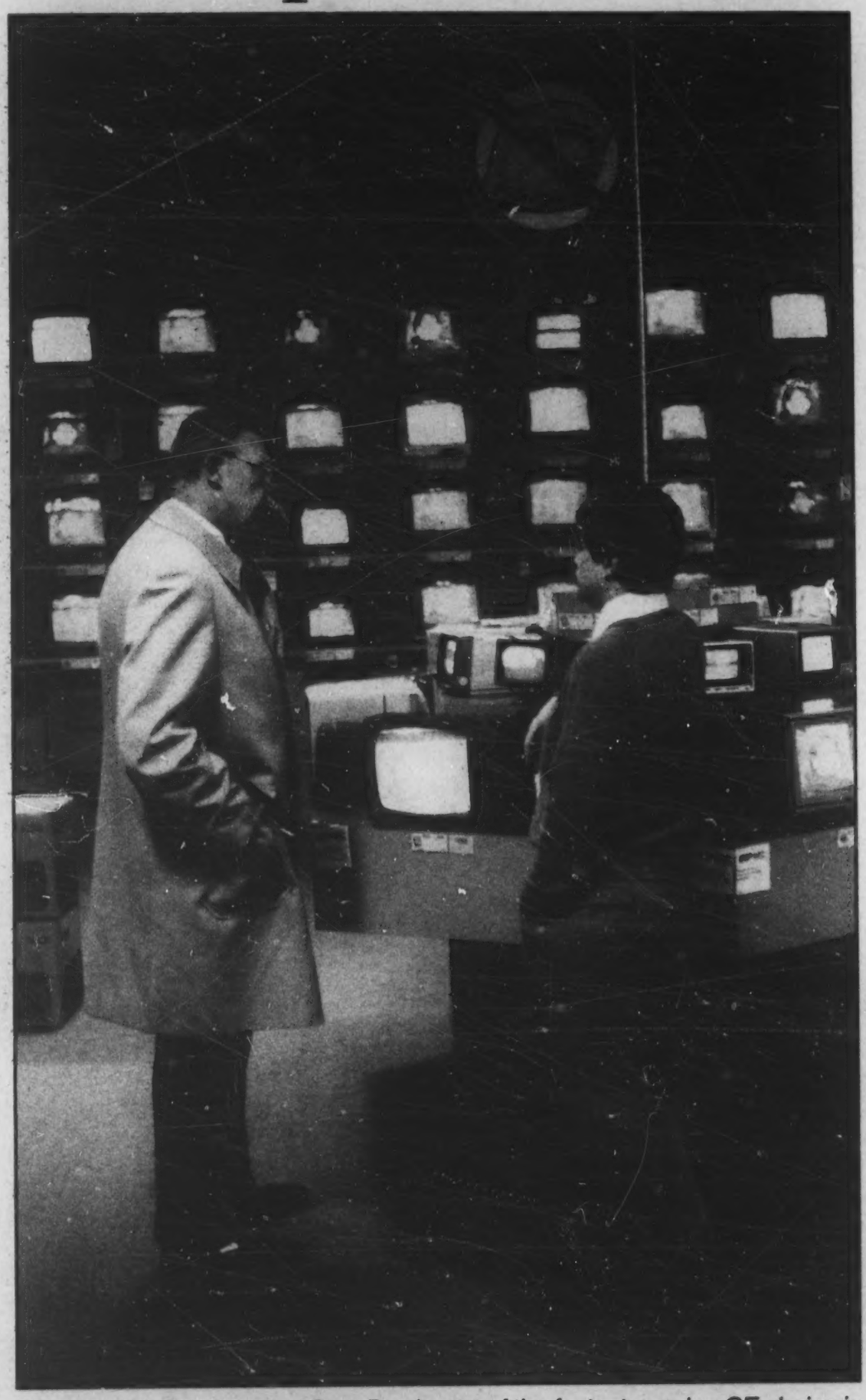
***1 Year Ago This Week:***

*Looking at the Sunny Side:* Despite a $4.3 million loss in the first quarter, Heck's management predicted the company would show a profit in 1986. Instead, it lost some $17 million.

*5. What electronic retailer went public at the same time it added soft goods?*
*a) CVN;*
*b) C.O.M.B.;*
*c) HSN.*

# Home Products

## Sales Up 32.4% to $4.7B at 13 Top CE Chains



*Minneapolis, Minn.-based Best Buy is one of the fastest growing CE chains in the U.S.; sales grew 112 percent to $239 million for its last fiscal year.*

*(Continued from page 1)*

chains operated 653 stores last year and are projected to be running nearly 1,000 outlets by the end of 1988.

Store growth figures from these leading CE chains show that one of the biggest challenges facing these top chains is the intensifying competition, especially in major metropolitan areas.

This year, according to San Francisco-based Montgomery Securities, two or more chains will operate in 77 percent of the 35 largest metropolitan markets in the U.S. Twenty-six percent of these markets will be a battleground for three or more CE chains.

Developments at the industry's leading chains illustrate the incredible growth and special problems of CE specialty retailers.

### Circuit City

While a number of other rapidly-expanding chains experienced declines in same store sales growth, industry leader Circuit City achieved comparable store sales growth of 18 percent for the fiscal year ended Feb. 28. Larry Wilson, assistant treasurer, projects comparable store sales growth of 6 percent to 8 percent during 1987. In fiscal 1988, total square footage is projected to increase by between 40 percent and 45 percent.-Expansion plans call for the opening of some 20 new superstores in each of the next two years, with more importance being placed on the 25,000 to 35,000-square-foot superstores.

The chain will enter new markets in San Francisco, Memphis and Baltimore this year, bringing the chain's total to 48 markets.

Circuit City has been extremely successful in the greater Los Angeles market since its entrance there in November 1985 with seven stores. Circuit City, which now has 20 stores in L.A., claimed to have captured $300 million to $350 million of the $2 billion greater Los Angeles CE market, accounting for 30 percent of total Circuit City sales at the end of its last completed fiscal year. The chain garners roughly 15 percent of the CE specialty market in L.A., compared to 10 percent for rival Federated Group, according to Montgomery Securities estimates.

Washington D.C. is the chain's second strongest market, accounting for 15 percent of total sales. The West Coast analyst estimates Circuit City's CE market share in Washington at 30 percent compared to 10 percent for competitor Luskin's.

Circuit City's strategy involves generating high levels of sales per square foot, leading to lower operating cost ratios and the ability to operate with low gross margins.

### Highland Superstores

Highland Superstores, the second largest CE chain in the U.S., experienced a 25.9 percent increase in sales to $656 million, even though 35 of its current 53 stores are located in such depressed areas as Texas (18) and Michigan (17).

"Our timing is unfortunate," said Ira Mondry, executive vice president. "However, we know how to operate successfully in depressed markets such as Detroit and know how to come out a winner when the economy improves."

Highland entered the Minneapolis/St. Paul market on May 8 with three stores in Minnetonka, Brooklyn Center and Inner Grove Heights. St. Paul is a strong market with 2.2 million people comprised of many professional, young married couples with a good deal of disposable income, primary customers for consumer electronics.

According to Mondry, Best Buy, which is the dominant CE retailer in Minneapolis, will be a tough competitor but, "we feel that the area is large enough to support another quality retailer." The area is also close to divisional headquarters and Highland's distribution center in Chicago.

In addition to St. Paul/Minneapolis, Highland plans three stores in Milwaukee in early summer, which will compete with Best Buy and American TV, a smaller chain in the market. This fall, Highland will open

*(Continued on page 19)*

## MARKETWATCH

NEW YORK — Conran's, the home furnishings specialty chain, is relocating its Willow Grove, Pa., store to a central Philadelphia site that can better accommodate the company's growth. The new 25,000-sq.-ft. store is slated to open as part of a mid-September Bicentennial celebration of the U.S. Constitution. It will occupy two levels of the Mellon Independence Center, part of which had been used as an office by Thomas Jefferson in 1793. The new Conran's will be adjacent to Strawbridge & Clothier's flagship store. Two other Conran's are scheduled to open this year in East Brunswick, N.J., and in New York City, bringing the total number of U.S. stores in operation to 16. In addition to units in Pennsylvania, New Jersey and New York, Conran's also operates stores in Connecticut, Massachusetts, Maryland, Virginia and Washington, D.C.

WASHINGTON — Video hardware products showed moderate growth during the first quarter of 1987, according to the Electronic Industries Association (EIA). Color television sales improved 7 percent over the year-ago quarter to nearly 4.5 million units sold. Sales of color TVs with built-in stereo rose by 15 percent and the EIA predicts that stereo TV sets will account for some 28 percent of total color TV sales this year, up from about 17 percent in 1986. Sales of black and white TVs declined 9 percent in the first quarter, while projection televisions dropped 8 percent in unit sales. Videocassette recorders (VCRs) increased a modest 4 percent. The association reported that VCR sales declined fractionally in March. On the other hand, camcorders gained impressively by 34 percent to nearly 230,000 units in the first quarter.

**Home Video Product Sales**
(unit sales to retailers)

| Product | 1987 1st Qtr. | 1986 1st Qtr. | % change |
|---|---|---|---|
| Color TV | 4,498,630 | 4,205,799 | 7.0% |
| Monochrome TV | 769,469 | 847,858 | – 9.2 |
| Projection TV | 66,033 | 71,946 | – 8.2 |
| Color TV with Built-in Stereo | 767,029 | 664,945 | 15.4 |
| Home VCR | 3,013,938 | 2,907,134 | 3.7 |
| Camcorder* | 229,076 | 171,067 | 33.9 |

*Camcorder figures also included in home VCR sales figures.

Information refers to total market statistics for products produced and/or sold in the United States, regardless of brand name or country of origin.

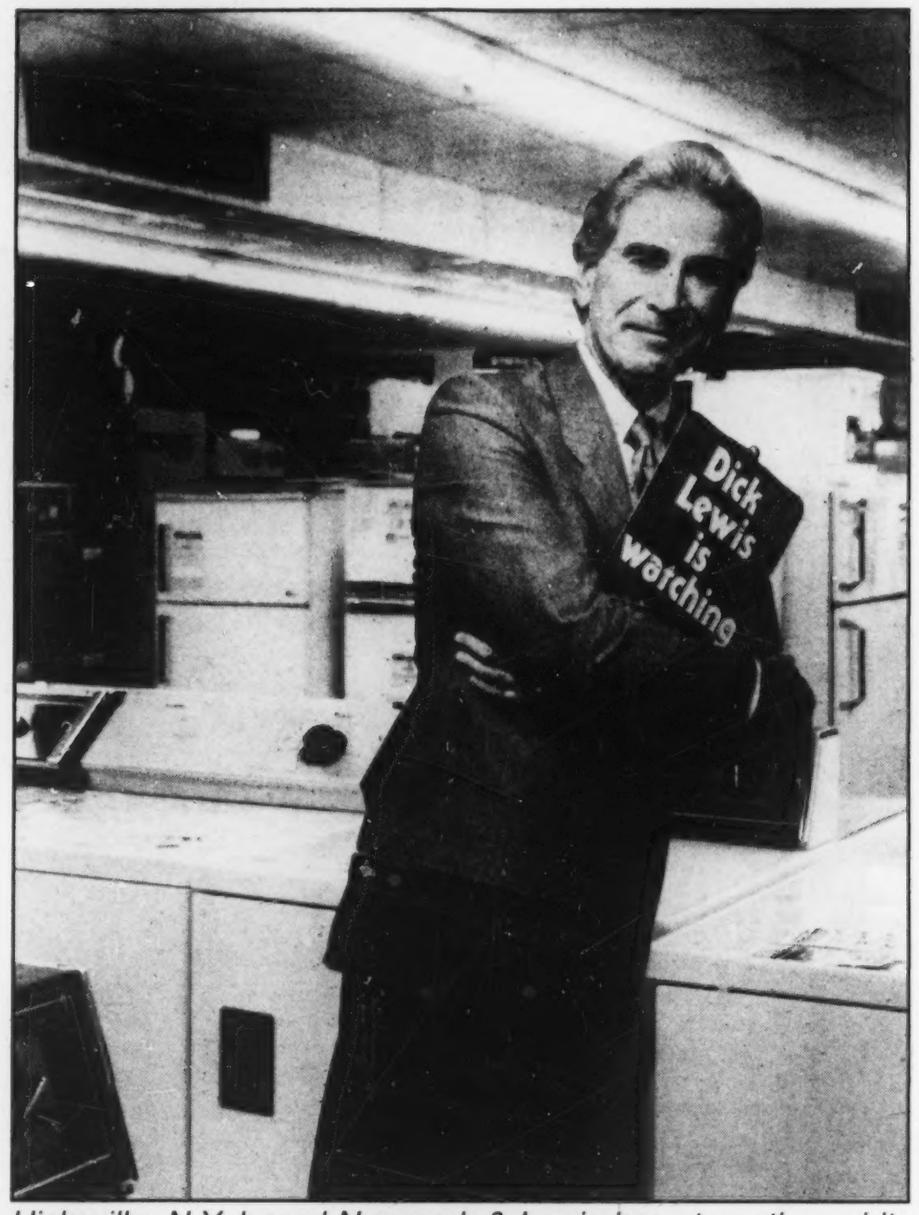
Source: Electronic Industries Association

# 13 Leading CE Chains Take 16.4% of $28.7B U.S. Market

**Leading CE Chains Hit $4.7 Billion in Sales**

| Chain (HQ State) | 1986 Sales† (in mil.) | 1985 Sales (in mil.) | % Change | Number of Stores 12/86 | 12/87 | Proj. 1988 | Average Store Size (in sq. ft.) |
|---|---|---|---|---|---|---|---|
| Circuit City (Va.) | $1,010.0 | $705.0 | 43.3% | 87 | 110 | 130 | 32,000 |
| Highland (Mich.) | 656.0 | 521.0 | 25.9 | 53 | 63 | 73* | 22,000 |
| Silo (Pa.) | 600.0 | 500.0 | 20.0 | 120 | 160 | 200 | 8,000 |
| The Federated Group (Calif.) | 430.0 | 363.6 | 18.3 | 59 | 65 | 65 | 30,000 |
| Crazy Eddie (N.J.) | 352.5 | 262.3 | 34.4 | 32 | 40* | 45* | 8,000 |
| Fretter (Mich.) | 273.0 | 214.0 | 27.6 | 45 | 55 | 63 | 15,000 |
| Tops Appliances (N.J.) | 260.0 | 185.0 | 40.5 | 2 | 2 | 2 | 50,000 |
| Best Buy (Minn.) | 239.0 | 113.0 | 112.0 | 23 | 40 | 57* | 28,000 |
| Audio-Video Affiliates (Ohio) | 229.0 | 182.0 | 25.8 | 106 | 131 | 156 | NA |
| Newmark & Lewis (N.Y.) | 214.0 | 142.0 | 50.7 | 34 | 42 | 52 | 9,000 |
| The Wiz (N.Y.)* | 200.0 | 168.0 | 19.0 | 19 | 22 | 26 | NA |
| Luskin's (Md.) | 140.0 | 110.0 | 27.3 | 53 | 58 | 63* | 10,000 |
| Brick Church (N.J.) | 100.0 | 80.0 | 25.0 | 20 | 23 | 26 | 10,000 |
| Total: | 4,700.0 | 3,550.0 | 32.4 | 653 | 811 | 958* | — |

*DSN estimates
†For last completed fiscal year ended in first quarter of 1987 for all chains except: Brick Church, figures for year ended Aug. 31, 1986.
NA: Not available
Source: Company reports; DSN research




*Hicksville, N.Y.-based Newmark & Lewis has strengthened its No. 2 position in the New York market due, in part, to the success of its current ad campaign, "Dick Lewis is watching."*

*(Continued from page 17)*
four stores in New England. The company also plans to continue expansion in Chicago, adding five to six stores to its current base of eight by the end of the year.

### Silo

Dixons Group, the leading retailer of consumer electronics in the United Kingdom, recently reached an agreement to acquire Cyclops, which owns Silo, the third largest CE chain in the U.S. Dixons has indicated its plans to aggressively expand Silo with an accelerated growth program which will include its entry into new markets.

Silo generates approximately $500 to $550 sales per square foot from its 6,000 to 12,000-square-foot stores.

### The Federated Group

Despite softness in its Dallas and Houston markets, The Federated Group's sales grew 18.3 percent from $363.6 million to $430 million. The West Coast-based chain said it plans to concentrate on improving internal operations in its 65-store base. Cautious expansion is a possibility in 1988.

"We went from 20 to 65 stores in the last three years and it is time to digest the accelerated expansion program we have had over the last three years," said chairman Wilfred Schwartz.

### Crazy Eddie

Edison, N.J.-based Crazy Eddie remained the leader in the greater New York market capturing an estimated 7 percent of the consumer electronics business and compiling one of the highest sales per square foot figures in the industry. Crazy Eddie stores generate $2,900 per square foot.

However, despite a 34.4 percent increase in sales over the last fiscal year, profits suddenly became more elusive for Crazy Eddie. At the end of the fiscal year ended March 1, earnings dropped 19.7 percent to $10.6 million from $13.2 million a year ago.

Estimated annualized sales are more promising at Crazy Eddie's newer stores in Cherry Hill, N.J. (at least $20 million), and Philadelphia ($16 to $17 million) compared to projected average annual volumes of $13.7 million per store chainwide, according to analysts following the chain.

### Best Buy

Fast-growing Best Buy, based in Minneapolis, Minn., plans to expand from 23 stores at the end of 1986 to an estimated 40 by the end of 1987. Its 1986 sales skyrocketed 112 percent to $239 million from $113 million.

In June, the chain will invade St. Louis with three stores and will unveil a new 500,000-square-foot central warehouse in Minneapolis for its brown goods. It will also open its first stores in Kansas City and some other rural markets this year.

Best Buy, which currently dominates the Minneapolis market, was prepared for Highland's entry this month. "Highland moving in will not cost us any market share," said Lee Schoenfeld, marketing vice president. "There is plenty of business here with the retail climate getting even healthier for CE."

### Newmark & Lewis

Hicksville, N.Y.-based Newmark & Lewis is the leading retailer of consumer electronics in the Hartford, Conn., market. The chain's main emphasis in expansion will be in Connecticut and the upper Westchester County area of New York. Sales grew 50.7 percent to $214 million from $142 million last year.

"We will very shortly cover the entire state of Connecticut," said Warren Hyman, chairman. Newmark & Lewis currently has 11 stores in Connecticut and hopes to have 15 to 18 stores there by the year-end. Closing the geographic gap between Connecticut and Westchester will permit more efficient use of advertising dollars and provide operating leverage, he added.

Newmark & Lewis is also looking to add units in Rockland County, northwest of New York City, and is examining the borough of Staten Island as a possible store site.

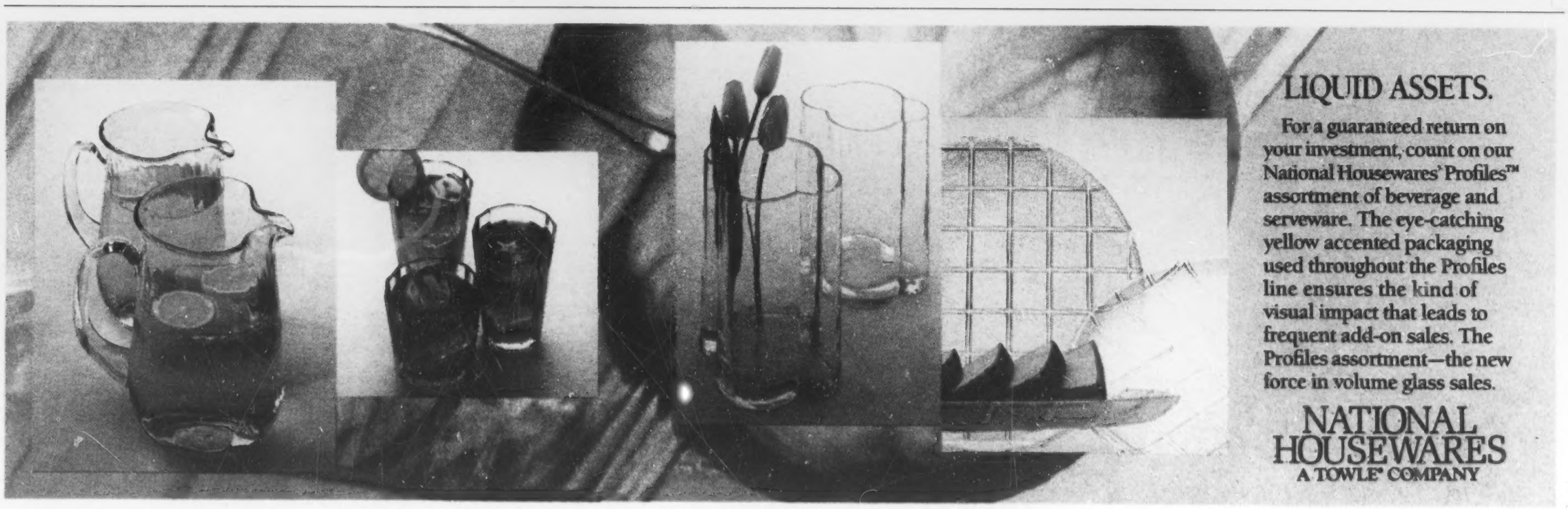
Newmark & Lewis has strengthened its position as the No. 2 CE retailer in the New York metropolitan market, with an estimated 4 percent share of the business, according to the Montgomery Securities analysts. The chain's comparable store sales grew 16 percent last year. The stores generated about $800 in sales per square foot, utilizing almost 90 percent of total building space for selling.

Its successful advertising campaign, "Dick Lewis is Watching," started late last year and has been one of the reasons for the chain's growth. The chain's advertising budget for 1987 is between $15 million and $16 million. For fiscal 1988, sales are expected to rise to some $275 million, according to Hyman.

### Brick Church

Brick Church, the Orange, N.J.-based CE chain, is in the process of upgrading all its stores by refixturing with new frontage and new signs in preparation to start selling more electronics. The chain achieved sales of $100 million last year, up 25 percent from the previous year.

Sixty percent of Brick Church's merchandise mix formerly consisted of white goods. Currently, white goods make up 35 percent of the mix while electronics comprise 65 percent. The chain's goal is to increase electronics to 70 percent of the mix, and drop appliances to 30 percent.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# Hard Lines

# Specialty Parts Add Luster to Auto Aftermarket

**By Richard C. Halverson**
*Nationwide DSN Report*

If discount automotives buyers get discouraged by dismal sales projections for things motorists "need," such as spark plugs, they might cheer up by looking at sales projections for aftermarket parts for pickups, vans, and four-wheel drive vehicles.

The pickup truck has become the "hot rod of the '80s," and owners are spending thousands of dollars to make it look better or run hotter.

The Specialty Equipment Manufacturers Association (SEMA), Whittier, Calif., provides a look at the specialty automotive market in its 1986 study, conducted by Lang Marketing Resources, Midland Park, N.J.

In a survey of 1,200 buyers of specialty equipment, Lang found that the average consumer spent $1,880 in 1985 with discount stores and auto chains snaring a sizable share of those discretionary automotive dollars.

And market analysts say the discount segment could do even better if it were to follow the example of The Pep Boys—Manny, Moe & Jack (see story, page 1) by installing the parts it sells and paying attention to the predicted rise in the number of older drivers who tend to prefer DIFM (do-it-for-me) over DIY (do-it-yourself).

The study contains information with numerous implications for discounters:

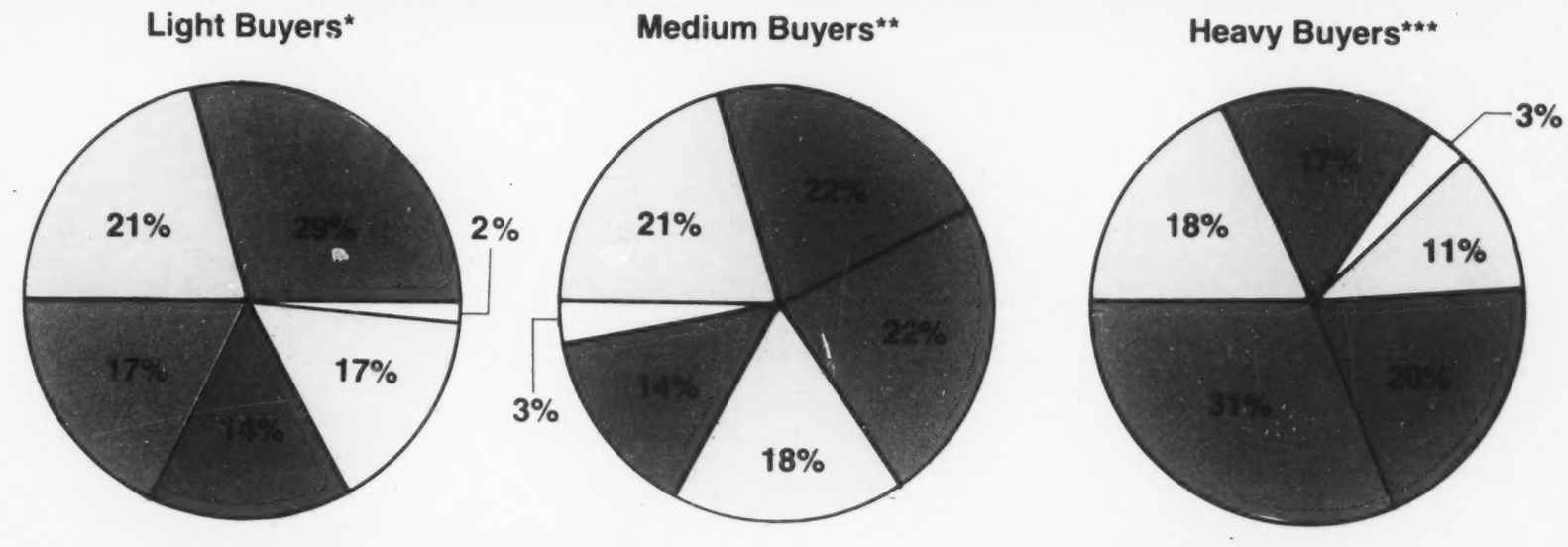
- **Spending Declines with Age.** Customers aged 21 to 24 spent an average of $2,400, compared to $1,560 for those aged 35 to 39.
- **Strong Brand Loyalty.** Of the total number of buyers, 75 percent had a specific brand in mind before they stepped inside a store. Only 5 percent bought another brand if a store was out of the one they wanted. A third of customers allowed a store to order the brand they requested, while two-thirds went to another store.
- **Psychographic Factors.** The most important factor behind a purchase is how it will make a vehicle perform. A high second factor is how it makes buyers "feel" about their vehicles. Another major factor is how customers think the purchase will make others "feel" about the vehicle.
- **Price Ranks Third.** When choosing where to buy, product selection was the most important consideration, followed by brands available. Price came third, and technical assistance provided by the store was the next consideration for shoppers.
- **Discount Store Market Share.** Discounters hauled in the lion's share—29 percent—of dollars that "light buyers" spent on specialty products. Light buyers were defined as those spending less than $500 per year on specialty automotive accessories (see charts). Discounters tied for the largest chunk—22 percent—of dollars that "medium buyers" spent. And they placed fourth at 17 percent for the share of dollars that "heavy buyers" spent. Medium buyers spend $500 to $1,000, while heavy buyers are those spending more than $1,000 per year on specialty automotive accessories.

Moreover, manufacturers surveyed expect that discount stores and auto chains will "substantially increase their retail share" in coming years at the expense of other retailers, such as full-line automotive parts dealers and performance/speed shops.

- **Sales Trends.** From 1981 to 1985, specialty equipment sales grew at an average annual rate of 11.6 percent, more than twice the rate of the total automotive aftermarket. From 1986 to 1990, manufacturers expect the specialty market to grow by an average of 11.2 percent a year, more than 2½ times the growth rate of the total market, which is expected to slow even more.

*(Continued on page 28)*

## Where Consumers Purchase Specialty Auto Products

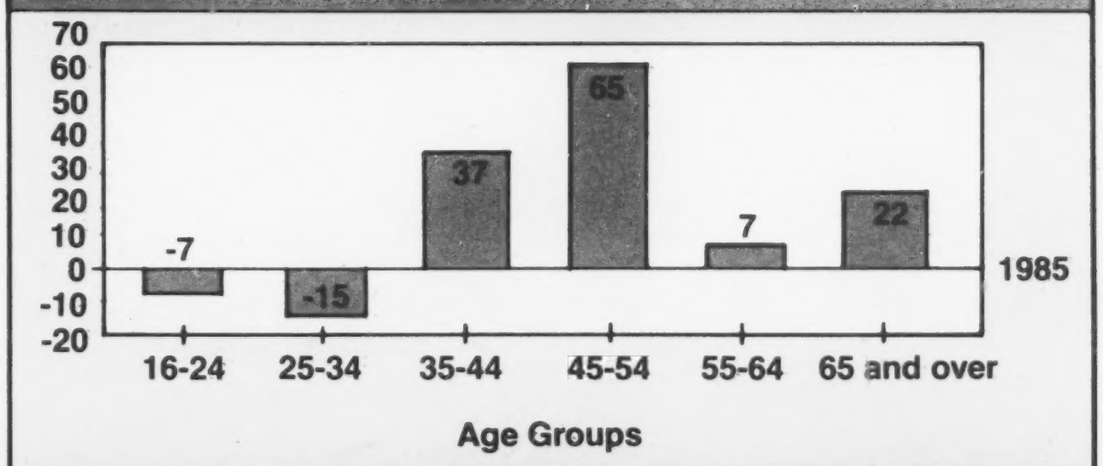



*Up to $500 worth of purchases per year
**$500 to $1,000 worth of purchases per year
***More than $1,000 worth of purchases per year

Source: Lang Marketing Resources

## Consumer Age Profile of Drivers

Projected Percent Rate of Change: 1985-1995




Source: Lang Marketing Resources

## MARKETWATCH

HOUSTON — A local inventor has developed an automatic toilet seat closer, which he is attempting to market through discount and other outlets nationwide. So far, only **Wal-Mart** has agreed to sell the hydraulic device, which reportedly operates in the same way as a hydraulic door closer. The inventor, Walter Hibbs, plans to approach **K mart** and **Sears** with the product, which he feels will save untold marriages.

* * *

SOUTHFIELD, Mich. — Yaffe & Co. has been named broadcast advertising agency for **R & S/Strauss Co.**, a chain of 75 automotive parts stores operating in Delaware, New Jersey, New York and Pennsylvania. Yaffe will produce all radio and television advertising for the chain. R & S/Strauss logged sales of $75 million last year. It was founded in 1919 by Herman Schlenger, father of current company president Donald Schlenger.

* * *

OAKLAND, Calif. — **Grand Auto**, reflecting a soft automotive aftermarket, reported a modest operating loss for 1986 on flat sales. Revenues dipped to $165.8 million for its fiscal year ended Jan. 25, from $167.7 million in fiscal 1985, the company reported. From operations, Grand Auto reported losing $136,000, or 4 cents a share, compared to profits of $2.6 million, or 84 cents a share, the previous year. An extraordinary gain from selling common stock holdings boosted net earnings for fiscal 1986 to $4.9 million, or $1.60 a share. Grand Auto attributed $2.1 million of the sales decline to discontinued gasoline and car washing operations and a halt in promoting remanufactured engines. But Grand Auto predicted it will recoup lost sales in 1987 through specialized engine installation centers. In addition, the company blamed unusually mild winter weather for a sharp decline in snow tire and snow chain sales that led to a 3.6 percent decline in fourth quarter sales to $39.4 million from $40.9 million in the year-earlier quarter. Grand Auto operates 113 auto stores in Alaska, California, Nevada and Washington. Its stock trades on both the American and the Pacific stock exchanges.

* * *

HOUSTON — **Entertainment Marketing** has opened a Los Angeles office for its consumer electronics wholesale and general merchandise closeout divisions. The office, which will be headed by Adam Carrol, vice president of sales, is expected to reach a volume of $30 million, said Elias Zinn, Entertainment Marketing's president and chief executive officer. A number of manufacturers, including Panasonic, Magnavox, Mitsubishi, Seagate and Western Digital, have appointed the company as a distributor for the West Coast, he added. Besides its wholesale and closeout operations, Entertainment Marketing also is a teleshopper, broadcasting the Consumer Discount Network (CDN) and other shows. **K mart** is the exclusive supplier of non-consumer electronic items for Entertainment Marketing's teleretailing programs.

# Specialty Parts Add Luster to Automotive Aftermarket Sales

(Continued from page 27)

• **Shift in Driver Population.** From 1985 to 1995, the number of drivers under age 24 will decline by 7 percent, while the number between ages 24 to 34 will slump by 12 percent. On the other hand, those between ages 35 to 39 will increase by 33⅓ percent, while those between ages 45 to 50 will soar by 60 percent.

"Traditionally, consumer spending on specialty equipment products declines as age increases. Programs will be needed to market specialty equipment products to middle and older age categories, which will have the highest growth rates," the Lang study cautioned.

• **More Installation Service.** "The population profile shift from younger to older consumers will reduce do-it-yourself activity. Retailers will have to increase installation services to appeal to the rapid growth of buyers in their 30s, 40s and 50s. Greater installation services will help expand the size of the specialty equipment market."

• **Population Shift.** Mountain states will experience the sharpest growth in coming years. Growth in the West and South will be positive for the specialty market, the SEMA study concluded, because consumers there tend to buy more specialty products, such as pickup truck accessories.

The specialty market is extremely profitable, said Jim Lang, head of the research firm, because margins are good, and tickets and turnover are high.

Opinions of market analysts differ as to why the specialty market is growing, while the general aftermarket languishes.

"People are keeping their cars longer," said Walter Lahmann Jr., president of American Specialty Equipment Corp., Long Island, N.Y., and a SEMA board member. "I think that helps our market. When you keep a car for five to 10 years, you tend to upgrade the appearance and performance."

Hank Allessio, president of Hopkinton, Mass.-based Automotive Consulting Services, said several factors account for the higher growth rate. Solid employment leads to a great deal of discretionary income. The growth of young (aged 24 to 28) single person households is another factor. "Single households consume more specialty products.

> ***'Hot rodders are older now and more affluent, but they still want their cars to look better and run better.'***
>
> —Leo Kagan, director of marketing, Amco Manufacturing

"The specialty market is driven by a want basis, rather than need," he emphasized.

In addition, "new vehicle segments have altered the landscape. The '57 Chevy once was a hot vehicle to dress up. Now, it's likely to be a pickup or a four-wheel, often a neat-handling import."

In another view, Leo Kagan, director of marketing for Amco Manufacturing Corp., North Hollywood, Calif., a specialist in luggage racks and convertible tops, said the specialty market growth stems from a "desire to change the look of a car or make it run better, so it doesn't look or perform like every other car on the road."

The specialty market started in the '50s when youths wanted their hot rods to "look better and run better," Kagan said. "The hot rodders are older now and more affluent," Kagan said, "but they still want their cars to look better and run better."

Yet all three agree that automotive retailers, if they want to thrive, must provide more service as the driving population ages.

In 1986, only 15.7 percent of auto parts stores provided service bays, according to an estimate by the publication *Specialty and Custom Dealer*, in its annual survey.

"In a limited way," discounters are getting into installation, Lahmann said. "It's gotta happen," because drivers are getting older. "The more aggressive auto retailers will provide installation," he predicted.

Kagan said, "Installation is a growing trend because convenience is more important."

Service is an important part of the success of Philadelphia-based Pep Boys, Kagan said. Each new Pep Boys auto store includes eight to 10 service bays, and parts buyers get a break on installation charges when they buy their parts at Pep Boys, Kagan said.

The DIY trend has flattened, if not declined, Allessio said. "Clearly, the trend is toward DIFM (do-it-for-me), and many retailers are adding service bays.

"Service bays allow Pep Boys to cut a wide swath at the expense of other traditional full-line auto parts stores."

At the same time, the growth of electronics, such as computer engine controls, tends to cloud the service picture, Kagan warned.

He envisions the possible development of electronics specialty shops that will trouble shoot and replace computer chips and modules. They may even rebuild black boxes as alternators and starter motors are now rebuilt.

The specialty market experts focus on several easy-to-install—and hot—specialty product lines that are especially appropriate for discount stores and auto chains:

- Custom wheels and tires;
- Pickup truck running boards and bed liners or mats;
- Lights, such as fog lights and lights to adorn pickup truck roll bars;
- Roll bars and grill guards;
- Chrome engine accessories, such as valve covers;
- Car stripping and molding kits.

Appearance type products, including mirrors, car covers, sheepskin seat covers and wheel covers, are more suitable for discounters, Kagan said, because discount store employees lack the technical knowledge to answer questions for the hard-core specialty parts buyer.

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